



# Asking Price Index

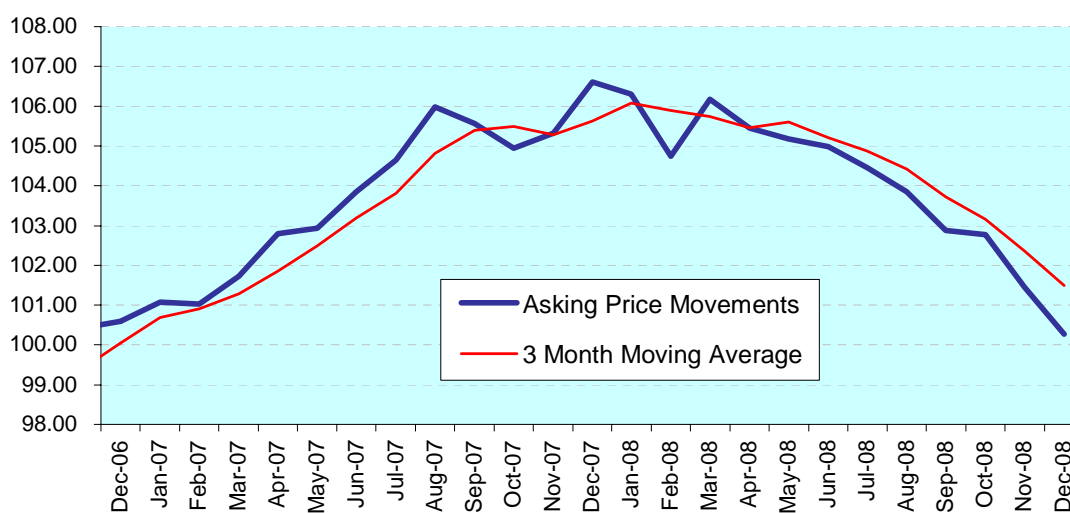
The UK's Independent Forward Market Indicator

Home Asking Price Index. Release date: 12<sup>th</sup> December 2008

## Sellers Race to Cut Home Prices

"Taxpayers have been forced to support the banking system and the real economy on a scale we've never seen before." Robert Peston, BBC Economics Reporter.

Asking Price Movements for England and Wales



[Laspeyres](#) Index based on Weighted Arithmetic Mean of Weighted Arithmetic Mean of Regional House Prices. [May04 = 100]

### Summary

Asking Prices for homes on the market in England and Wales fell by a further 1.2% in the last month.

Monthly price falls observed in all 9 English regions and Wales for a second consecutive month.

Asking Prices across England and Wales have fallen 6.0% since December 07.

The average Asking Price reduction in November was £20,174.

South East prices dropped 3.3% over the last quarter.

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## Overview

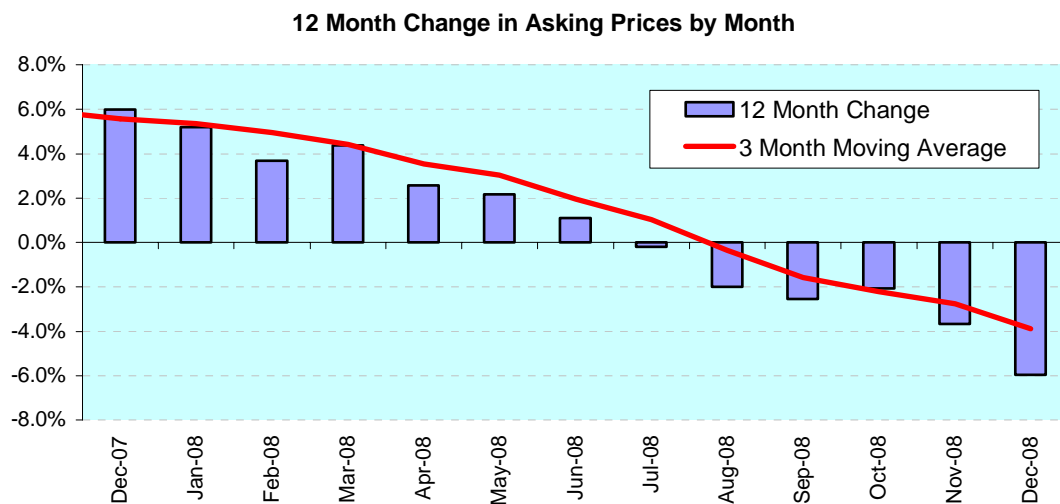
The UK house price correction is gathering pace on the open market. Vendors are cutting market house prices more aggressively in all parts of England and Wales in the knowledge that buyers with cash or mortgage finance are still in very short supply and may be so for a long time.

The wider UK economy is inevitably suffering alongside the housing market as demand slows for products and services. The further 1.0% cut in the Bank of England base rate this month will really only help those buyers with large deposits and slow the rate of home repossessions. Sales volumes will remain low and 2009 looks set to be the toughest year in living memory for UK property.

UK housing market sentiment, whilst poor, appears to have steadied slightly this month. Asking prices of 175,000 homes on the market were cut in November, which was less than the 200,000 reductions observed in October. The value of the average price cut remained essentially unchanged from October to November at £20,174.

Asking prices fell in 9 of the 9 English regions and Wales over the last month.

## Twelve-Month Trend in Asking Prices



The December year-on-year (YoY) fall in Asking Prices for England and Wales of 6.0% again shows a large monthly increase (Nov 08 = -3.7%) continuing the downward trend.

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Over the last 12 months, Asking Prices for homes in England and Wales have fallen 6.0%, *ca.* 10.5% below the [CPI](#), *ca.* 10.2% below the [RPI](#) and *ca.* 9.3% below the [AEI](#) (excluding bonuses). The mix-adjusted average price of homes in England and Wales, advertised on the open market, now stands at £244,602 having lost £15,484 since Dec 07.

The HAPI for England and Wales has fallen to 100.3 [May04 = 100].

## Regional Housing Markets

Regional Asking Prices for December 2008, showing % change in Q4 08.

	Current average price	Q4 change
Scotland	£175,279	+0.2%
North East	£163,569	-1.2%
West Midlands	£198,029	-1.4%
North West	£182,526	-1.8%
South West	£257,637	-2.2%
Yorkshire and Humber	£175,314	-2.2%
Greater London	£335,144	-2.6%
Wales	£188,654	-2.9%
East Midlands	£176,644	-3.0%
South East	£274,174	-3.3%
East Anglia	£249,522	-3.6%
England & Wales	£244,602	-2.5%

[Laspeyres](#) Indices based on Weighted Arithmetic Mean of Regional House Prices.

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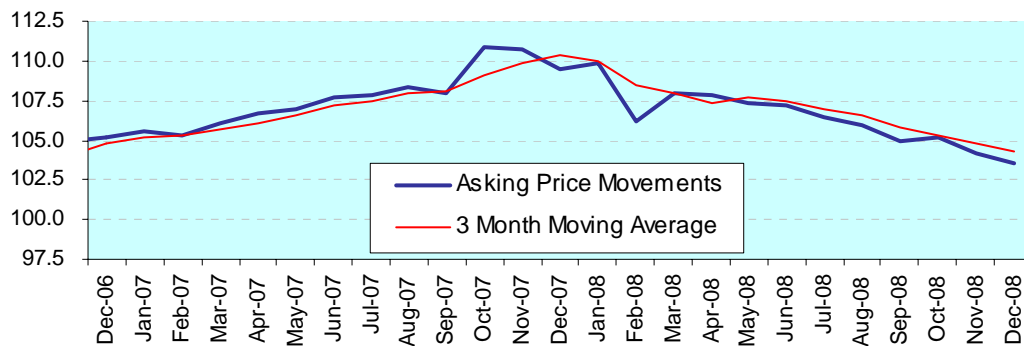
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## West Midlands

West Midlands was one of the better performing English regions falling only 1.4% over the last quarter. However, the decline in asking prices in the West Midlands is a clear trend and shows no sign of recovery.

Asking Price Movements for the West Midlands

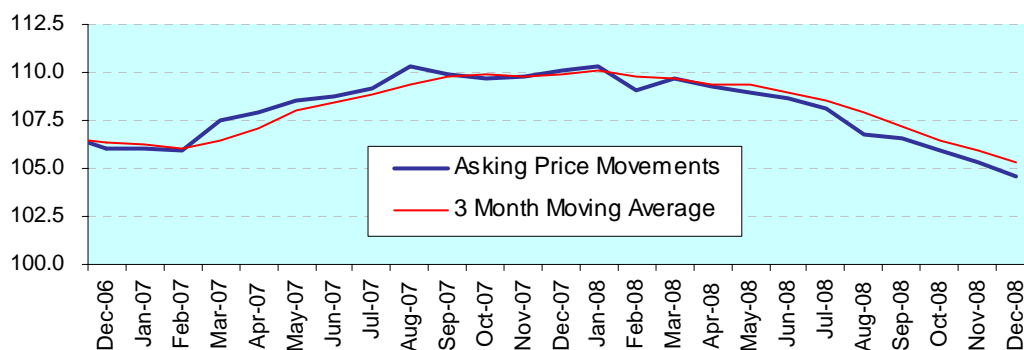


Laspeyres Indices based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## North West

The mix-adjusted Asking Price for homes in the North West also continues to decline steadily but at a slower pace than most other English regions. Market prices have fallen 4.5% since they peaked in Jan 08.

Asking Price Movements for the North West



Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

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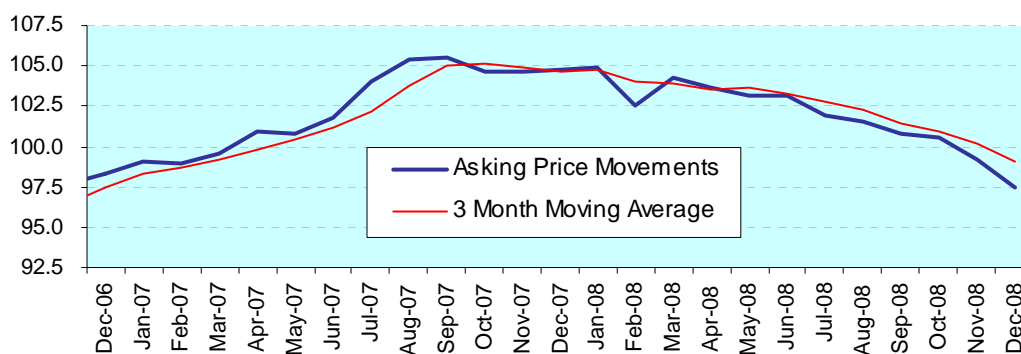
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## South East

The South East is the second heaviest faller for Q4 2008. The mix-adjusted average Asking Price has now fallen by 7.6% since the peak in Sept07. The rate of decline in Asking Prices of homes in the South East appears to have increased over recent months.

Asking Price Movements for the South East

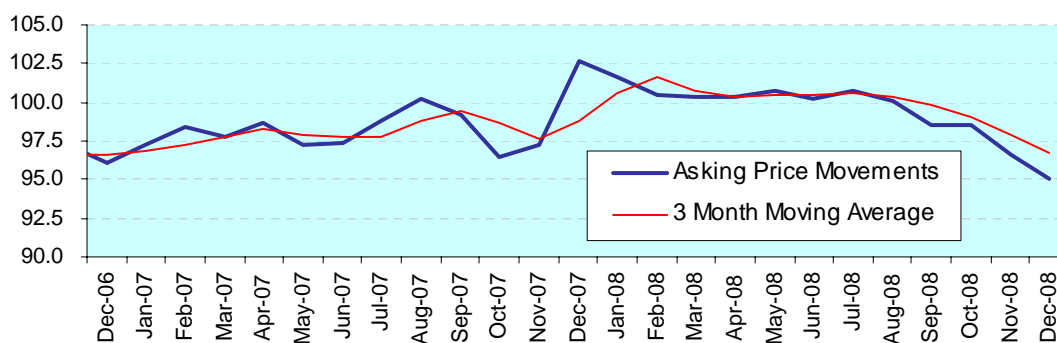


Laspeyres Index based on Weighted Arithmetic Mean of Regional House Prices [May04 = 100]

## East Anglia

The Asking Price chart for homes in East Anglia, the heaviest regional faller in Q4, shows a rapid deterioration of market sentiment over recent months. Market house prices have fallen 7.4% since the peak in Dec07.

Asking Price Movements for the East Anglia



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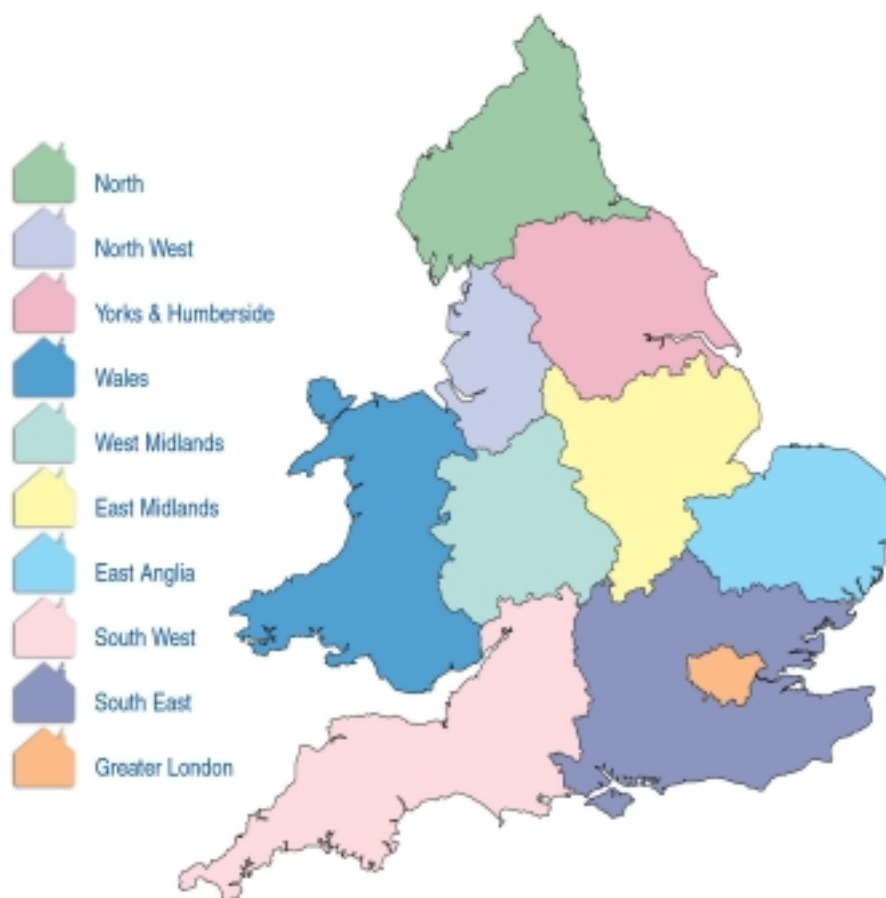
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**Regions** (as per DCLG)



Source: HM Land Registry

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The Home.co.uk Asking Price Index is calculated by Calnea Analytics Ltd



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## Comment

Seasons Greetings to all from Home.co.uk.

As 2008 comes to a close, there is little seasonal cheer for the majority of home sellers but cash buyers will be rubbing their hands together in a Faginesque manner. Meanwhile, the dire economic news keeps on coming as the credit crunch wrecks the wider UK economy and UK Government policy is criticised by mortgage lenders and the German finance minister.

### Bank of England Slashes Base Rate Again to 2.0%

Another desperate measure from the BoE while the UK Government seems to be falling out of bed with banks it saved. The Council of Mortgage lenders called the Government's demands as "conflicting and incoherent." Strong stuff from the lenders, perhaps biting the hand that now supports them, but they may well be unimpressed with their new role as Government whipping boy. One can only wonder how the Government can expect them to be more prudent, rebuild their balance sheets AND lend at ultra-low rates into a falling housing market at 2007 volumes.

The BoE's ultra-low base rate is becoming increasingly irrelevant to the majority of borrowers and worryingly counterproductive when it comes to increasing the supply of credit. With the average mortgage interest rate somewhere around 5%, the Government's attempt to price-fix credit at an ultra-low price for everyone is simply not working. Moreover, economists warn us that this kind of policy always lead to shortages. This is because banks will normally only lend if they see a profit above and beyond the default risk.

However, like Japan in the 1990s, we now have 'zombie' banks in the UK that could be forced by the Government to lend at ultra-low rates. The Government would act as guarantor and the taxpayer would pick up the losses, effectively state sponsored imprudence. Of course credit market intervention of this kind of would ultimately be catastrophic for the Treasury and Sterling. Unfortunately the Government's 'need to act' means this is now a possibility.

The same goes for 'quantitative easing', another 'fix' much mooted in the press. Printing money would create more problems than it solves. The fact is there is no 'silver bullet' for the economic ills that face the UK. The current problems arose from a growing dependence on cheap credit, so more of the same through Government sponsorship is clearly a step in the wrong direction. The danger of government tinkering and spending largess at this juncture is clear.

"The switch from decades of supply-side politics all the way to a crass Keynesianism is breathtaking." Let's hope that this timely rebuke from Peer Steinbrück, the social democrat German finance minister, will help sober up the UK Government. In a recent article in [Newsweek](#) Stienbrück also warned on the effectiveness of 'stimulus proposals', "the risk is greater of burning money without significant effects and in the end having a budget weighed down with even more debt." A good dose of German austerity and belt-tightening would be a tonic for the UK.

Notwithstanding the introduction of the perilous policies of state subsidised borrowing or quantitative easing, **2009 will be one of the best buyers' markets ever.** The year long standoff between buyers and sellers is over. Cash buyers or those with large deposits (40%+) will be able to secure a home for perhaps 30% less than the 2007 market value.

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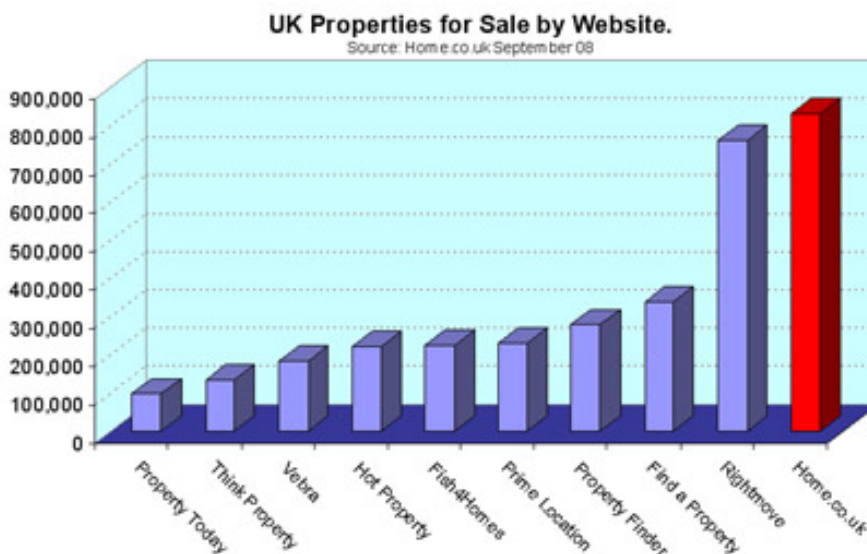
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## The Home.co.uk Asking Price Index

The [Home.co.uk](http://Home.co.uk) Asking Price Index is produced in association with [Calnea Analytics](#): the statistical consultancy responsible for the production of the official [Land Registry House Price Index](#).

The Home.co.uk Asking Price Index (HAPI) is calculated using a weighting system based on the DCLG (formerly ODPM) [Survey of English Housing Stock](#) (published March 2006). This allows for enhanced regional delineation and conforms to the current geographical orthodoxy as set out by the [Office of National Statistics](#).

The HAPI is the UK's only independent forward market indicator. The published figures reflect current and historic confidence of buyers and sellers of UK property on the open market. The HAPI is calculated every month using 600,000+ UK property house prices found in the Home.co.uk Property Search Index. This figure represents the majority of the property for sale on the open market in the UK at any given time.



The HAPI is based on *asking price* data which means the index can provide insights into price movements around 5 months ahead of mortgage completion and actual sales data - thus making it the most forward looking of all house price indices. Properties above £1m and below £20k are excluded from the calculations.

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To learn more about Home.co.uk please visit:  
<http://www.home.co.uk/company/about.htm>

For details on the methodology used in the calculation of the HAPI please visit:  
<http://www.calnea.com/asking-price-index/>

## Future release dates:

Monday 12<sup>th</sup> January 09

Thursday 12<sup>th</sup> February 09

Thursday 12<sup>th</sup> March 09



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